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Legal 1

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STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2004-90-W/S

SC PUBLIC SERVICE
COMMISSION

2004 JUL 28 PM 4:38

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IN THE MATTER OF:)

Total Environmental Solutions, Inc.)
Application for Increase in Rates and)
Charges for Water and Sewer Services)

REBUTTAL TESTIMONY OF
BILL SCHOENING

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Bill Schoening and my business address is 487 Treasure Lake,
3 Treasure Lake Mini Mall #4, Dubois PA 15801-9010.

4
5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed by Total Environmental Solutions, Inc. ("TESI") as its Assistant
7 General Manager. In that capacity, I am in charge of a the operation of TESI's
8 water and sewer operations in six states, including the Foxwood Hills system in
9 South Carolina

10
11 Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.

12 A. The purpose of my testimony is to address several inaccuracies in testimony filed
13 by interveners in this proceeding.

14
15 Q. HAVE YOU READ THE TESTIMONY OF MICHAEL DODSON IN THIS
16 PROCEEDING?

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RETURN DATE: OK RNg
SERVICE: OK RNg

1 A. Yes, I have.

2

3 **Q. DO YOU AGREE WITH THAT TESTIMONY?**

4 A. No. A great deal of Mr. Dodson's testimony is either inaccurate, deceptive, or
5 both.

6

7 **Q. CAN YOU BE MORE SPECIFIC?**

8 A. Yes. First, on page 2 of his testimony, Mr. Dodson asserts that he was in a
9 contractual relationship to operate and maintain the Foxwood Hills water and
10 sewer systems from August 2001 through August 2003. This is inaccurate. Mr.
11 Dodson began performing work at the Foxwood Hills facility in January of 2001,
12 as soon as TESI began to operate the facility following its bankruptcy purchase.
13 Mr. Dodson continued to operate and maintain the Foxwood Hills system until we
14 terminated his arrangement on August 31, 2002.

15

16 **Q. ON PAGE 4, MR. DODSON ANSWERS THE QUESTION WHETHER**
17 **TESI HAS COMPETENT MAINTENANCE PEOPLE AT FOXWOOD**
18 **HILLS. DO YOU AGREE WITH MR. DODSON'S CONCLUSIONS?**

19 A. No. TESI's maintenance staff is very good. Mr. Robert Kirby is our field
20 supervisor. We hired Mr. Kirby because of his in-depth experience and
21 supervisory skills. Mr. Kirby has many years experience in the National Guard.
22 Mr. Kirby was also hired for his skills in operating a backhoe, an essential
23 function of his job description. We also have working for us Mr. J.W. Girdner,

1 who holds the position of Field Technician. Mr. Girdner was hired primarily for
2 his plumbing skills and utility background. In fact, Mr. Girdner worked for
3 Michael Dodson at some point prior to working for TESI.

4 In order to be fully staffed at Foxwood Hills, we need to fill a position that
5 became vacant last year for a second field technician. TESI hopes that the
6 additional revenue resulting from this rate proceeding will allow us to fill that
7 position later this year.

8
9 **Q. IS MR. DODSON'S STATEMENT THAT ONE OF OUR MAINTENANCE**
10 **PERSONNEL HAS AN ALCOHOL AND DRUG PROBLEM CORRECT?**

11 A. No it is not. As a requirement of their employment at Foxwood Hills, each of our
12 field maintenance employees has had to undergo an alcohol and drug test. All of
13 our employees have passed that test. Moreover, if any of these employees
14 exhibited signs of the addiction that Mr. Dodson suggests, we would certainly
15 take appropriate action.

16
17 **Q. ON THAT SAME PAGE, MR. DODSON CLAIMS THAT A SEWER LINE**
18 **AT THE MAIN ENTRANCE OF FOXWOOD HILLS "HAD BEEN**
19 **BLOCKED FOR YEARS." HE CONTENDS THAT THIS PROBLEM**
20 **"HAD BEEN WORKED ON 15 TO 30 TIMES WITHOUT SUCCESS. IS**
21 **THIS ACCURATE?**

1 A. Certainly not during the time that TESI has owned this system. The problem with
2 Mr. Dodson's statement is that he fails to identify when his asserted blockage
3 existed, or who had worked on it "without success."

4 If Mr. Dodson is describing a condition that existed when Johnson
5 Properties owned the Foxwood Hills system, he might be correct, as the system
6 was not adequately maintained during that time. However, Mr. Dodson statement
7 a 6-inch force main had been "blocked for years" is not believable. Such an
8 extreme condition would have been virtually impossible without causing serious
9 disruption to a major portion of the Foxwood Hills sewer system.

10 Mr. Dodson himself attempted to repair the problem with that air relief
11 valve on August 1, 2001. I have attached as **Exhibit 1** to this testimony the
12 invoice associated with Mr. Dodson's repair. However, it appears that Mr.
13 Dodson's attempts were unsuccessful, as a problem at that location still existed
14 when Mr. Dodson's arrangement to operate and maintain the Foxwood Hills
15 system was terminated one year later. After Mr. Dodson left, TESI entered into a
16 contract with Ken Deaver to operate and maintain the sewer system. Mr. Deaver
17 finally fixed this problem by replacing the relief valve. Mr. Deaver only had to
18 fix the problem once, and we have had no further problems with this particular
19 portion of the sewer system.

20
21 **Q. ON PAGE 4-5 OF MR. DODSON'S TESTIMONY, HE STATES THAT**
22 **TESI HAS NOT EMPLOYED ANY MAINTENANCE PERSONNEL WITH**

1 **THE EXPERIENCE TO RECOGNIZE A RELIEF VALVE PROBLEM. IS**
2 **THIS ACCURATE?**

3 A. Again, Mr. Dodson has made an inaccurate statement. Our current maintenance
4 employees clearly have the ability to recognize and repair an air relief valve
5 problem. In fact, just two weeks ago, our maintenance staff identified an air relief
6 valve problem in the pressurized system and fixed it by replacing the valve. I
7 have included as **Exhibit 2** to this testimony a copy of the work order associated
8 with that replacement.

9
10 **Q. ON PAGE 5 OF MR. DODSON'S TESTIMONY, HE CONTENDS THAT**
11 **THERE HAS BEEN COMMON PROBLEMS OF BROKEN PUMPS AT**
12 **FOXWOOD HILLS. HE STATED THAT THE PUMPS ARE NOT BEING**
13 **GREASED. IS MR. DODSON'S TESTIMONY ON THIS POINT**
14 **CORRECT?**

15 A. No, it is not. Mr. Dodson again fails to identify *when* he asserts these problems
16 existed. If he contends that the pumps were not being greased prior to TESI'S
17 ownership of the Foxwood Hills system, Mr Dodson could not possibly know
18 about that except through hearsay. If Mr. Dodson is saying that Johnson
19 Properties did not adequately maintain the sewer system at Foxwood Hills before
20 TESI's acquisition, TESI agrees with that assertion. If, on the other hand, Mr.
21 Dodson is speaking about maintenance practices from January 2001 through
22 August of 2002, he is only criticizing his own work. If, however, Mr. Dodson is
23 attempting to testify about maintenance practices that existed after he left

1 Foxwood Hills, he is not only wrong, but he could not possibly know about those
2 practices since he ceased providing any services at Foxwood in August 2002.

3 TESI replaced and/or refurbished almost all of its lift pumps shortly after
4 purchasing the system. We currently observe a schedule of greasing all lift station
5 pumps every 30 days.

6
7 **Q. ON PAGE 6 OF MR. DODSON'S TESTIMONY, HE TALKS ABOUT**
8 **CHICKASAW POINT WATER AND SEWER RATES. WOULD YOU**
9 **CARE TO COMMENT?**

10 A. Yes. Chickasaw's rate structure is different from Foxwood Hills in that the rates
11 there are metered. It is my understanding that the average combined residential
12 water and sewer bill at Chickasaw is somewhere around \$65 to \$70 per month. I
13 know of no plans at all for Chickasaw to reduce the rates. In fact, recent evidence
14 is exactly to the contrary. It is my understanding that the Association recently
15 assessed its water and sewer customers a \$96 charge *in addition to* monthly water
16 and sewer rates in order to cover shortfalls in their current rate structure.

17 It is also important to note that the Chickasaw system is owned by the
18 Chickasaw Point Property Owners Association. As a consequence, the rates at
19 Chickasaw are set by the Association without any regulatory oversight from the
20 Commission. Those rates may or may not bear any relationship to Chickasaw's
21 cost of service. It is my understanding that the current rates at Chickasaw are
22 inadequate, and that the Chickasaw Point Property Owners Association is in a
23 difficult financial position because of their ownership of that system.

1

2 **Q. MR. SCHOENING, MR. DODSON APPEARS TO BE RAISING**
3 **QUESTIONS ABOUT TESI'S MOTIVATION FOR BRINGING THE**
4 **INFORMATION IT HAS LEARNED ABOUT THE ESCROW ACCOUNT**
5 **TO THIS COMMISSION'S ATTENTION. WOULD YOU PLEASE**
6 **COMMENT UPON THAT?**

7 **A.** Yes. The 1980 Agreement addressing the escrow account first came to TESI's
8 attention in April, 2003. Following that, TESI's counsel pursued information
9 from the South Carolina Department of Health and Environmental Control
10 ("DHEC") through several Freedom of Information Act requests. I personally
11 reviewed DHEC documents on this point with TESI's counsel in DHEC's
12 Anderson office.

13 Once we reviewed every record made available to us by DHEC, it
14 appeared that the escrow account was still in existence, and held by the Bank of
15 Westminster. At this point, TESI had reached a dead end. Since we were not a
16 party to the escrow agreement, we could not obtain any information about the
17 escrow account from the Bank of Westminster. TESI brought the information to
18 the attention of the Foxwood Hills customers and the Commission through its
19 request in this rate application. TESI expended its resources and brought its
20 findings to light in this rate proceeding in the hope that the ratepayers could
21 obtain the use and benefit of these funds. Any such benefit would have obviously
22 also benefited TESI. TESI had no ulterior motive in doing this.

23

1 **Q. HAS TESI EXTENDED AN OFFER TO THE FOXWOOD HILLS**
2 **PROPERTY OWNERS ASSOCIATION (“POA”) TO WORK TOWARDS**
3 **A MUTUALLY AGREEABLE RATE MODEL IN THIS PROCEEDING?**

4 A. Yes, and we are still hopeful that the POA will sit down with us and attempt to
5 work something out.

6
7 **Q. DOES TESI APPRECIATE THE CHALLENGES THE POA FACES IN**
8 **CONTINUING TO SPUR DEVELOPMENT AT FOXWOOD HILLS**
9 **RESORT?**

10 A. Yes. Continued development is not only in the property owners’ best interest, but
11 also in TESI’s best interest. As we have discussed, one of the reasons that the
12 operating costs for Foxwood Hills are so high is that we are currently serving
13 roughly 550 customers through infrastructure that was designed for 3,000 to
14 4,000. As Foxwood Hills Resort continues to add homeowners, TESI continues
15 to add customers, and the system is used more efficiently.

16 While we appreciate the POA’s point that higher water and utility rates
17 will make it more difficult to sell lots in Foxwood Hills, TESI cannot afford to
18 keep its rates artificially low in hopes that this will spur development in this resort
19 community. It is a simple fact that if TESI is forced to maintain rates at Foxwood
20 Hills that do not fully cover TESI’s costs, TESI will have a difficult time
21 maintaining service quality and complying with DHEC regulations.

22 As the Commission knows, TESI purchased the Foxwood Hills water and
23 sewer system as part of a package bankruptcy acquisition. The previous owner,

1 Johnson Properties, is the third successive owner of Foxwood Hills that has had to
2 give up the system because of bankruptcy. We believe there is a message here: If
3 the property owners at Foxwood Hills want to have quality, long-term water and
4 sewer service, they must be prepared to pay rates that allow the utility to conduct
5 a sustainable operation there.

6
7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A.** Yes it does.

EXHIBIT 1

**M D Environmental**

206 Viking Dr
Westminster SC 29693
Ph 1-864-647-8531 Fax 1-864-647-8353

Invoice

Number: 1318

Date: August 01, 2001

Bill To:

Total Environmental Solutions Inc
1524 Ryder Drive
Baton Rouge, LA 70808

Ship To:

Mt Bay Utilities
2299 Doc Johns Rd.
Westminster, SC 29693

PO Number	REQUESTED/BY	PROJECT		
	PATSY LAND	LYNWOOD DR		
Date	Description	QTY/ HRS	Price	Amount
07/25/2001	REPAIR AIR RELIEF VALVE OFF OF 6" FORCED MAIN COMING FROM LIFT STATION # 6 THIS IS A 75HP STATION AND RELIEF HAD STOPPED WORKING CAUSING BREAKS IN MAIN WHEN PUMPS WOULD COME ON. DUG UP 2" LINE FROM MAIN APPROX 7' DEEP AND UN- PLUGGED. ALSO TOOK VALVE APART AND CLEANED IT OUT,EVERYTHING WORKING AGAIN,THIS SHOULD STOP THE REPAIRS TO THE MAIN.	6.00	70.00	420.00
THANKS FOR YOUR BUSINESS				
Total				\$420.00

DUE UPON RECEIPT

EXHIBIT 2



Total Environmental Solutions, Inc.

PO Box 14056
Baton Rouge LA 70898-4056

URGENT _____ TAP _____

SPILL _____ of _____ GALLON
_____ C O. CopieWORK ORDERDATE 7/12/04TIME CALL RECORDED: 845 (AMP)CUSTOMER NAME N/ACUSTOMER ADDRESS Chestnut Rd Section B Lot 9

CUSTOMER PHONE NUMBER: (____)

CALL TAKEN BY: STAFFSUBDIVISION Forward Hills

PERMIT NUMBER _____

COMPANY MB/SCCOMPLAINT: Broken air relief valve causing problems with Septic pumping.

DISPATCHED TO: _____

TIME DISPATCHED _____

ARRIVAL DATE AND TIME _____

OPERATOR'S OBSERVATIONS/COMMENTS

relief valve.Had to replace air

ACTION TAKEN

Installed new sewer air relief valve.

CONTINUED ACTION NEEDED:

YES

☒ NO (IF YES EXPLAIN)COMPLETED ✓

DATE

7/12/04

TIME

930

COMPLETED BY:

Rob

BILL TO (IF APPLICABLE) _____

CUSTOMER FOLLOW UP NEEDED BY FIELD OFFICE YES NO (IF NO EXPLAIN) _____

FOLLOW-UP DONE BY: _____

FOLLOW-UP DATE _____

TIME _____

ADDITIONAL NOTES _____